



Shanghai Prime Machinery Announces 2009 Interim Results

Accelerated domestic sales market development
Grasped opportunities of government's encouraged industries

Financial highlights:

RMB million	For the six months ended 30 June	
	2009	2008
Revenue	1,016	1,664
Gross Profit	209	322
Profit attributable to owners	78	133
Basic earnings per share (RMB cents)	5.41	9.23

(17 August 2009 – Hong Kong) – **Shanghai Prime Machinery Company Limited** (“Shanghai Prime Machinery” or the “Group”; SEHK stock code: 02345), a leading manufacturer of precision industrial parts and components in the PRC, is pleased to announce its interim results for the six months ended June 2009.

During the period under review, revenue of the Group for 2009 was RMB1,016 million, down 39% over the corresponding period in 2008. Profit attributable to the owners was RMB78 million, representing a decrease of 41% over the corresponding period in 2008. Basic earnings per share amounted to RMB5.41 cents (1H2008: RMB9.23 cents).

Commenting on the Group's performance in 1H2009, **Mr. Liu Zhenduo, Chairman of Shanghai Prime Machinery**, said, “In the first half of 2009, the international financial crisis continued to disperse, seriously affecting the normal operation of global financial systems and gradually affecting real economies, leading to a decrease in global spending and a significant drop in overall product demand, thus the Group's sales performance, in particular export sales, has been much affected. Moreover, as the decrease in domestic coal-fired power generation and railway logistics in the first half has affected the market demand for some of the principal products of the company, the structure of product mix will require further adjustments and optimizations, while the anti-dumping duty of 69.9% charged by the European Union also posed an adverse effect on the export sales of the Group's fastener products. Against this backdrop, the Group adopted enhanced risk mitigating measures, grasped development opportunities and focused on developing government-encouraged industries, as well as putting much effort in adjusting its product portfolio and sought to expand domestic market, thereby the Group still managed to sustain a stable and healthy development of the Group.”

Turbine Blade Business

In the first half of 2009, turnover of the turbine blade business was RMB402 million (1H2008: RMB400 million), representing a slight increase of 0.5% over corresponding period last year. The segment results dropped by 24% to RMB54 million (1H2008: RMB71 million). During the review period, the Group increased efforts on the research and development of blades for jet engines, where we have achieved breakthrough. In the meantime, through the ways of enhancing the high precision of military aviation products, technology upgrading for manufacturing blade forgings and expanding to the international market, the product structures were optimized. In the meantime, the international trading market of the Group's turbine blade business further expanded and recorded a sales of RMB99 million, a surge of 115% from the corresponding period last year.

Bearing Business

In the first half of 2009, turnover of the bearing business was RMB170 million (1H2008: RMB238 million), representing a decrease of 29% over last year. Segment results saw a drop of 92% to RMB2 million. During the Period, in line with the government policies to focus on the development and utilization of clean energy, the Group increased efforts on the research and development of extra large wind power bearings. The Group is now equipped with the initial bulk production capacity for extra large bearings for MW wind power generators, thus the Group's extra large bearing business realized a sales revenue of RMB17 million for the period.

Cutting Tool Business

In the first half of 2009, turnover of the cutting tool business was RMB178 million (1H2008: RMB264 million), representing a decrease of 33% over last year. The segment results amounted to RMB12 million (1H2008: RMB32 million). During the review period, the export sales dropped 47% to RMB20 million (1H2008: RMB38 million), while the demand of domestic market also saw a significant shrink. In order to explore new markets for the cutting tool business, extra efforts will be put into the development of numerically-controlled cutting tools to expand its product portfolio, so as to develop its integrated capacity in offering hard metal materials, numerically-controlled cutting tools, numerically-controlled arbors and measuring tools; and to perfect its sales network to build itself as a domestically leading and internationally top manufacturer of modern metal cutting tools.

Fastener Business

In the first half of 2009, turnover of the fastener business amounted to RMB266 million (1H2008: RMB762 million), representing a decrease of 65% over the corresponding period last year. The segment results saw a drop of 43% to RMB23 million (1H2008: RMB40 million). Export sales amounted to RMB206 million (1H 2008: RMB669 million), representing a decrease of 69% over the corresponding period last year. The drop was mainly due to the effect arising from the anti-dumping duty of 69.9% charged by European Union and also the weak market environment brought by the financial tsunami.

In view of this, the Group has been actively driving forward the expansion into other non-European countries so as to minimize the negative effect brought the different factors. The Group's fastener business focused on the provision of customized and convenient services, and actively explored end customers, which optimized the market structure of its fastener business.

Looking forward, Mr. Liu opined, "In the second half of 2009, the economic condition is expected to remain uncertain, with drivers and factors for continued economic growth yet to be stabilized and uncertainties as to how the financial crisis will evolve and the adjustment cycle still overcasts. However, from a different perspective, there are still certain positive factors. Following the implementation of the RMB4 trillion investment initiated by the PRC government, the market potential of domestic spending is gradually starting to pick up. With an improved external environment, the Group will be in a good position to sustain development."

Mr. Liu concluded, "In the future, the Group will accelerate the development of domestic sales market and focus on alternative business to imported products, as well as closely integrate with the development strategies of the government to implement projects targeted at advancing technology industrialization. The Group will continue to utilize technology advancement as its pivot to enhance its technology innovation abilities, and continues to put more efforts on research and development, aiming to enhance its product techniques and standards, production efficiency and product quality. All in all, the Group aims to upkeep its leading position in the industry and drive towards its goal of becoming an internationally advanced and domestically superior service provider of quality industrial parts and components."

About Shanghai Prime Machinery Company Limited

Shanghai Prime Machinery was principally involved in the design and sale of turbine blades, precision bearings, highly durable fasteners, numerical control machine cutting tools, small-to-medium sized electric motors and others, the provision of related technical services, domestic trade, the provision of manpower service, industrial investment, entrepot trade of goods and technical services. The controlling shareholder of the Company is Shanghai Electric Corporation, one of China's leading industrial conglomerates in the power generation and transmission equipment, electromechanical equipment, transportation equipment, environmental protection systems, and other industry sections.

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